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**GHI MORTGAGE INVESTORS  
ANNUAL REPORT 1978**

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### **Trustees**

T.A. Crosier	Partner, Crosier, Kilgour & Partners Ltd. Consulting Engineers
R.C. Deegan	Controller of the Adviser and Trust
W.C. Irish	Partner, Inkster, Walker, Westbury, Irish, Rusen & Hughes Barristers
F.J. Keks	President, Exmouth Corporation Ltd. Financial Consultants and Investments
J.T. McJannet	Partner, Norton, Schwartz, McJannet & Company Barristers
A.A. Portigal	Chairman & Chief Operating Officer of the Adviser and Vice President of Genevieve Holdings Limited
N. Starr	President, Acklands Limited

### **Officers**

A.A. Portigal	President and Chairman of the Board
G.J. Kroft	Secretary
R.C. Deegan	Controller

### **Investment Committee**

T.A. Crosier
W.C. Irish
F.J. Keks
J.T. McJannet

### **Adviser**

GHI Adviser Limited  
1210 One Lombard Place  
Winnipeg, Manitoba  
R3B 0X3

### **Auditors**

Thorne Riddell & Co.

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**Bankers**

Banque Canadienne Nationale  
Royal Bank of Canada  
Toronto Dominion Bank

**Listing**

Winnipeg Stock Exchange  
Alberta Stock Exchange

**Transfer Agent, Registrar and Custodian**

Canada Permanent Trust Company  
Winnipeg, Calgary, Regina





# Financial Highlights

For the years ended December 31

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	1978	1977	1976	1975	1974 <sup>(1)</sup>
Gross Income	\$ 1,247,993	\$ 927,262	\$ 707,452	\$ 615,946	\$ 370,666
Net Income	\$ 730,257	\$ 633,190	\$ 507,459	\$ 470,017	\$ 302,293
Income Distributed					
— Total	\$ 634,202	\$ 600,601	\$ 507,459	\$ 470,017	\$ 302,293
— Per Unit	\$ 1.40	\$ 1.39	\$ 1.34	\$ 1.31	\$ 1.07
Unit Holders' Equity	\$ 5,852,795	\$4,366,275	\$3,777,773	\$3,725,059	\$3,045,513
Total Assets	\$10,588,902	\$6,532,611	\$4,933,782	\$5,085,350	\$3,859,480

(1) For the nine (9) month period ended December 31, 1974.

# Chairman's Report to Unitholders

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With the conclusion of 1978 the Trust completed its fifth year of operation, having commenced operations in 1974 with assets of \$3,800,000 culminating in 1978 with assets in excess of \$10,500,000. The Trust has reported net income per Trust Unit of \$1.07 in 1974, \$1.31 in 1975, \$1.34 in 1976, \$1.46 in 1977 and \$1.61 in 1978; and has distributed income to Unitholders of \$1.07 in 1974, \$1.31 in 1975, \$1.34 in 1976, \$1.39 in 1977 and \$1.40 in 1978.

Early in 1978 we concluded negotiations with the Trust's three chartered Canadian Banks, resulting in our lines of credit more than doubling, and again at year end, we were successful in negotiating a further increase in our bank credit lines thus providing an additional availability of 2.1 million dollars.

During the year, your Trustees recognized the need to increase the capital base of the Trust, with the result that a Rights Offering was presented to Unitholders in September concluding in November 1978. This offering was most successful as 98.9% of the Rights offered were exercised, benefitting both the Unitholders as well as the Trust.

As advised previously, the Trustees formulated a policy of maintaining a reserve against possible

future losses to the maximum allowable under the Income Tax Act. Therefore, during 1978, an additional \$38,182.00 was added to the reserve, or \$0.08 per Trust Unit, thus bringing the total reserve at year end to an amount in excess of \$70,000.00.

You will notice in the Statement of Income that Rights Issue expenses of \$57,873.00 or \$0.13 per Trust Unit has been charged against income. The Federal Budget of November 16, 1978 proposed that Unit Trusts be allowed for income tax purposes to deduct all expenses incurred after that date relating to the issue of units and we have deducted these expenses from income, subject to the budget proposal becoming law. Issue expenses prior to November 16, 1978 have been charged directly against Unitholders' Equity.

Mr. Guy J. Kroft, Q.C., Secretary of the Trust, has recently been appointed a Judge of Manitoba Court of Queen's Bench and as a result has tendered his resignation as Secretary of the Trust. On behalf of the Trustees and Unitholders, I take this opportunity to thank Mr. Kroft for his contribution to the success of the Trust during these past few years and to wish him every success in his new appointment.



A.A. PORTIGAL PRESIDENT AND CHAIRMAN



# GHI Mortgage Investors

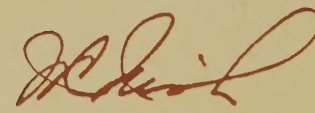
(An unincorporated trust established under the laws of Manitoba)

## Balance Sheet as at December 31, 1978

Assets		1978	1977
Cash		\$ 37,240	\$ 14,731
Accrued interest receivable		176,289	82,430
Mortgage loans, at cost (note 2)		10,375,373	6,435,450
		<u>\$10,588,902</u>	<u>\$ 6,532,611</u>
Liabilities			
Bank advances (note 3)		\$ 4,506,000	\$ 1,985,000
Income distribution payable		171,621	170,053
Accounts payable and accrued liabilities		58,486	11,283
		<u>4,736,107</u>	<u>2,166,336</u>
Unitholders' Equity			
Trust units (note 4)			
Unlimited authorization of units, face value of \$10 each			
Issued			
585,793 Units (440,553 in 1977)		5,782,024	4,333,686
Reserve for losses		70,771	32,589
		<u>5,852,795</u>	<u>4,366,275</u>
		<u>\$10,588,902</u>	<u>\$ 6,532,611</u>

Approved by the Trustees

  
A.A. Portugal  
Trustee

  
W.C. Irish  
Trustee

# Statement of Income

Year ended December 31, 1978

	1978	1977
Revenue		
Interest on mortgage loans	\$ 1,232,063	\$ 875,030
Other income	15,930	52,232
	<u>1,247,993</u>	<u>927,262</u>
Expenses		
Interest expense	365,678	161,313
Advisory fee	122,191	91,938
Trustee fees	12,500	12,500
Other expenses	17,367	28,321
	<u>517,736</u>	<u>294,072</u>
Net income	<u>730,257</u>	<u>633,190</u>
Appropriation to reserve for losses	38,182	32,589
Rights Issue expense (note 5)	57,873	
	<u>96,055</u>	<u>32,589</u>
Earnings Available for Distribution	<u>\$ 634,202</u>	<u>\$ 600,601</u>
Distribution Declared	<u>\$ 634,202</u>	<u>\$ 600,601</u>
Per Trust Unit		
Net income	\$ 1.61	\$ 1.46
Appropriation to reserve for losses	0.08	0.07
Rights Issue expense	.13	
Net income after appropriation	<u>\$ 1.40</u>	<u>\$ 1.39</u>

## Auditors' Report

To the Unitholders of GHI Mortgage Investors

We have examined the balance sheet of GHI Mortgage Investors as at December 31, 1978 and the statements of income, unitholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Trust as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada  
January 29, 1979

*Thorne Riddell & Co.*  
Chartered Accountants



# Statement of Unitholders' Equity

Year ended December 31, 1978

	1978	1977
<b>Trust Units (note 4)</b>		
Balance at beginning of year	\$ 4,333,686	\$ 3,777,773
Units issued	<u>1,452,400</u>	<u>569,180</u>
	5,786,086	4,346,953
Rights and Unit Issue expenses (note 5)	<u>4,062</u>	<u>13,267</u>
Balance at end of year	<u>5,782,024</u>	<u>4,333,686</u>
<b>Reserve For Losses</b>		
Balance at beginning of year	32,589	
Appropriation from earnings available for distribution	<u>38,182</u>	<u>32,589</u>
Balance at end of year	<u>70,771</u>	<u>32,589</u>
<b>Unitholders' Equity</b>	<u>\$ 5,852,795</u>	<u>\$ 4,366,275</u>

# Statement of Changes in Financial Position

Year ended December 31, 1978

	1978	1977
<b>Working Capital Derived From</b>		
Net income	\$ 730,257	\$ 633,190
Net proceeds from issue of trust units	1,448,338	555,913
Bank advances	2,521,000	1,001,000
Mortgage loan principal repayments	<u>6,208,142</u>	<u>3,518,821</u>
	<u>10,907,737</u>	<u>5,708,924</u>
<b>Working Capital Applied To</b>		
Mortgage loan principal disbursements	10,148,065	5,074,721
Distributions declared to unitholders	634,202	600,601
Rights issue expense	57,873	
Net change in other assets and liabilities	<u>45,088</u>	<u>36,666</u>
	<u>10,885,228</u>	<u>5,711,988</u>
<b>Increase (Decrease) in Cash</b>	22,509	(3,064)
<b>Cash on Hand at Beginning of Year</b>	<u>14,731</u>	<u>17,795</u>
<b>Cash on hand at End of Year</b>	<u>\$ 37,240</u>	<u>\$ 14,731</u>



# Notes to Financial Statements

Year ended December 31, 1978

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## 1. Accounting Policies

(a) The Trust

The Trust is an unincorporated trust created under the laws of Manitoba pursuant to a Declaration of Trust dated March 7, 1974. The Trust conducts its affairs in a manner whereby it qualifies as a "unit trust" under the Income Tax Act of Canada.

(b) The Adviser

GHI Adviser Ltd. provides investment opportunities, serves as financial consultant and administers the day-to-day affairs of the Trust. For these services the Trust pays a fee which is based on the asset, investment and income level of the Trust.

(c) Reserve for losses

The Trust provides a reserve for future losses on its investments by appropriations from income available for distribution.

(d) Income per trust unit

Income per trust unit is based on the weighted average number of units outstanding during the year.

## 2. Mortgage Loans

The final maturity dates of the mortgages are as follows

	1978	1977
1978		\$ 3,930,050
1979	\$ 6,345,310	1,099,500
1980	3,177,046	1,205,900
1981	853,017	200,000
	<u>\$10,375,373</u>	<u>\$ 6,435,450</u>

## 3. Bank Advances

The Trust has assigned the mortgage loans to the banks to support its lines of credit.

## 4. Trust Units

The 145,240 units issued during the year were issued for cash as the result of a Rights offering to Unitholders of record as at September 15, 1978 on the basis of one new unit for every three units held at a subscription price of \$10 per unit.

## 5. Rights Issue Expense

The Federal Budget of November 16, 1978 proposed that Unit Trusts will be allowed to deduct for income tax purposes all expenses incurred after that date relating to the issuing of units. The Trust has deducted these expenses in determining earnings available for distribution subject to the Budget proposal ultimately becoming law. Rights issue expenses and unit issue expenses incurred in 1978 before November 16, 1978 and in prior years have been charged directly to Unitholders' Equity.

## Five Year Financial Review

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	1978	1977	1976	1975	1974
<b>Assets</b>					
Cash	\$ 37,240	\$ 14,731	\$ 17,795	\$ 5,093	\$ 18,209
Accrued Interest					
Receivable	176,289	82,430	36,437	58,837	33,607
Mortgage Loans, at Cost	10,375,373	6,435,450	4,879,550	5,021,420	3,807,664
	<u>\$10,588,902</u>	<u>\$ 6,532,611</u>	<u>\$ 4,933,782</u>	<u>\$ 5,085,350</u>	<u>\$ 3,859,480</u>
<b>Liabilities</b>					
Bank Advances	\$ 4,506,000	\$ 1,985,000	\$ 984,000	\$ 1,000,000	\$ 742,000
Income Distribution					
Payable	171,621	170,053	136,016	128,101	42,217
Accounts Payable and					
Accrued Liabilities	58,486	11,283	35,993	32,190	29,750
Note Payable — 10.75%	—	—	—	200,000	—
	<u>\$ 4,736,107</u>	<u>\$ 2,166,336</u>	<u>\$ 1,156,009</u>	<u>\$ 1,360,291</u>	<u>\$ 813,967</u>
<b>Unitholders' Equity</b>					
Trust Units					
Unlimited authorization of					
Units without par value.					
Units Issued	585,793	440,553	383,635	377,100	308,600
Issued	\$ 5,782,024	\$ 4,333,686	\$ 3,777,773	\$ 3,725,059	\$ 3,045,513
Reserve for Losses	70,771	32,589	—	—	—
	<u>\$ 5,852,795</u>	<u>\$ 4,366,275</u>	<u>\$ 3,777,773</u>	<u>\$ 3,725,059</u>	<u>\$ 3,045,513</u>
	<u>\$10,588,902</u>	<u>\$ 6,532,611</u>	<u>\$ 4,933,782</u>	<u>\$ 5,085,350</u>	<u>\$ 3,859,480</u>



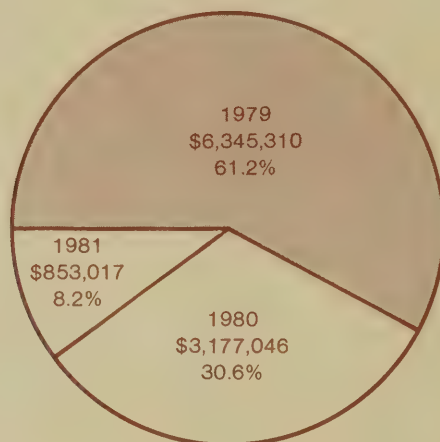
	1978	1977	1976	1975	1974 <sup>(1)</sup>
<b>Revenue</b>					
Interest on mortgage loans	\$ \$1,232,063	\$875,030	\$707,452	\$606,458	\$348,104
Extraordinary income	15,930	52,232	—	9,488	22,562
	<u>\$1,247,993</u>	<u>\$927,262</u>	<u>\$707,452</u>	<u>\$615,946</u>	<u>\$370,666</u>
<b>Expenses</b>					
Interest expense	\$ 365,678	\$161,313	\$100,810	\$ 63,558	\$ 21,397
Advisory fee	122,191	91,938	70,468	63,641	34,512
Trustee fees	12,500	12,500	11,875	10,000	6,667
Other expenses	17,367	28,321	16,840	8,730	5,797
	<u>\$ 517,736</u>	<u>\$294,072</u>	<u>\$199,993</u>	<u>\$145,929</u>	<u>\$ 68,373</u>
<b>Net Income</b>	<u>\$ 730,257</u>	<u>\$633,190</u>	<u>\$507,459</u>	<u>\$470,017</u>	<u>\$302,293</u>
Appropriation to reserve for losses	38,182	32,589	—	—	—
Rights Issue expenses	57,873	—	—	—	—
	<u>96,055</u>				
<b>Earnings Available for Distribution</b>	<u>\$ 634,202</u>	<u>\$600,601</u>	<u>\$507,459</u>	<u>\$470,017</u>	<u>\$302,293</u>
<b>Distribution Declared</b>	<u>\$ 634,202</u>	<u>\$600,601</u>	<u>\$507,459</u>	<u>\$470,017</u>	<u>\$302,293</u>
<b>Per Trust Unit</b>					
Net income	\$ 1.61	\$ 1.46	\$ 1.34	\$ 1.31	\$ 1.07
Appropriation to reserve for losses	0.08	0.07	—	—	—
Rights Issue expense	0.13	—	—	—	—
Net income after appropriation	<u>\$ 1.40</u>	<u>\$ 1.39</u>	<u>\$ 1.34</u>	<u>\$ 1.31</u>	<u>\$ 1.07</u>

(1) For the nine (9) month period ended December 31, 1974.

## Maturity of Loan Commitments

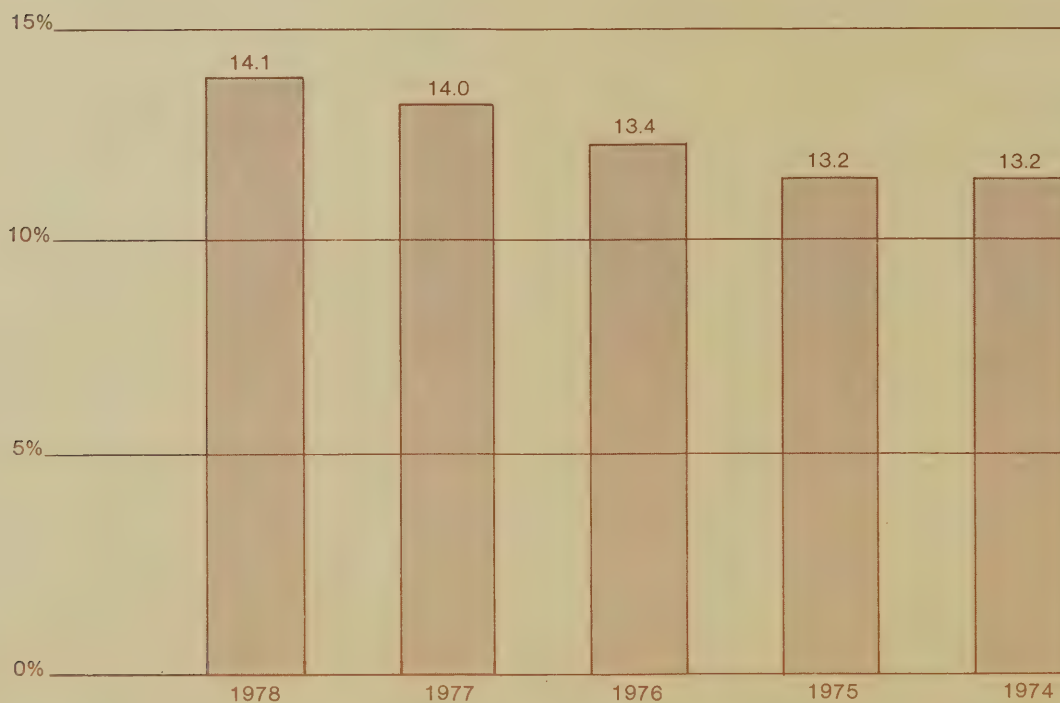
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Total  
\$10,375,373  
100%



## Return (After Appropriation) on Average Unitholders Equity

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# Analysis of Loan Commitments

at December 31, 1978

## Geographic Distribution

Province	Amount		Percentage	
	1978	1977	1978	1977
Alberta	\$ 7,607,745	\$ 4,978,008	73.3	77.4
British Columbia	545,000	—	5.3	—
Manitoba	1,622,628	857,442	15.6	13.3
Saskatchewan	—	250,000	—	3.9
	9,775,373	6,085,450	94.2	94.6
U.S.A.	600,000	350,000	5.8	5.4
<b>Total</b>	<b>\$10,375,373</b>	<b>\$ 6,435,450</b>	<b>100.0</b>	<b>100.0</b>

Type of Loan	Amount		Estimated Average Annual Yield %		Percentage of Portfolio	
	1978	1977	1978	1977	1978	1977
First Mortgage Loans			17.3	14.1	54.9	44.1
Commercial	\$ 5,149,977	\$ 2,327,900				
Development	500,000	—				
Residential	50,000	508,694				
	5,699,977	2,836,594				
Second Mortgage Loans			17.3	13.9	33.1	42.0
Commercial	3,433,424	2,706,813				
Construction Loans			18.0	15.0	7.2	13.9
Commercial	740,955	892,043				
Wrap Around Loans			15.7	—	4.8	—
Commercial	501,017	—				
<b>Total</b>	<b>\$10,375,373</b>	<b>\$ 6,435,450</b>	<b>17.3</b>	<b>14.1</b>	<b>100.0</b>	<b>100.0</b>



# An Overview of the Trust

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GHI Mortgage Investors is a wholly Canadian owned and operated Mortgage Trust, created under the laws of the Province of Manitoba, and which commenced operations in April, 1974. The Trust derives its income exclusively from interest earned on real property loans and is a short-to-medium term lender.

## Objective

The basic objective of the Trust is to build through creative investing a balanced and diversified portfolio of mortgage investments designed to provide unitholders with an above average return on high security investment. In order to accomplish this objective, the Trust actively seeks investment opportunities across Canada in commercial and industrial properties such as hotels, office buildings, nursing homes, shopping centres, warehouses, manufacturing facilities — as well as a wide range of residential properties and developments.

## Role of the Adviser

GHI Mortgage Investors invests all of its money in loans arranged for it by its adviser, GHI Adviser Limited. The Adviser was the sponsor and is the contractual adviser of the Trust and provides professional expertise required by the Trust to meet its objectives. The Adviser also reviews investment opportunities, presents qualified applications to the Board of Trustees, provides the Trust with financial advice, controls liability and asset management, administers loans, maintains the books and records and administers and conducts the business operations of the Trust. Its fees are regulated by governmental agencies.

## Trustees

The Trust is directed by a Board of Trustees noted for their expertise in the areas of real estate and finance. The Trustees form the decision-making body of the Trust and contract for the services of the Advisor to transact day-to-day operations.

## Income Distribution Policy and Ownership

Beneficial ownership of the Trust is expressed in issued and outstanding "Units", transferable in the hands of unitholders and which are listed for trading on the Winnipeg and Alberta Stock Exchanges.

Under Canadian tax laws, the Trust qualifies as a conduit which effectively allows investors to participate in a constantly changing portfolio of invest-

ments, receiving untaxed income distributions from a professionally managed portfolio of mortgages.

The Trust has no tax liability on distributed income which flows through to the unitholder without being taxed and is then taxable as income in the hands of the unitholder at his or her personal tax rate. Unitholders may use distributed income from GHI as all or part of the \$1,000 annual income that each individual is allowed free of taxes. Alternatively, unitholders may place units in self administered Registered Retirement Savings Plans.

## Operation

Since its establishment in 1974, the Trust has been successful in supplying its unitholders with above average returns and has now established major relationships with three Canadian banks, insuring a continuing flow of investments funds, which should result in continued high returns to unitholders.

Four factors play a significant role in the Trust results.

- a) The Trust's policy of maintaining a loan interest rate that floats above the chartered banks' prime rate.
- b) Continual close supervision of every loan comprising the Trust's portfolio, which coupled with flexible and innovative management policies have enabled the Trust to move quickly to take advantage of changing investment opportunities.
- c) Self designed constraints, specifically to provide rapid portfolio turnover.
- d) A support network of architects and engineers and lawyers, aware of the Trust's requirements who act on behalf of the trust in the areas where they are located.

The Trust concentrates its activities primarily in the areas of first and second mortgage loans and construction loans. Its loan portfolio is well diversified to minimize risk and most monies advanced are less than 80% of independently appraised values related to the project.

It is anticipated that the Trust's performance will continue to be satisfactory in the coming year. We are hopeful that the factors that have been so instrumental in the growth of the Trust since 1974, will continue to allow for increased growth and expansion of activities in the coming years.



# The Role of the Short Term Lender

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## The Role of the Short Term Lender

As a short to medium term lender in the Canadian real property development market, GHI provides an important service to owners and developers seeking the specialized financial assistance available from the Trust. By close supervision, GHI assists the borrowers in bringing an individual project to fruition. The Trust also enables the borrower to control his own long term financial destiny to a much greater extent than would be possible under other circumstances. In the eyes of the borrower the advantages far outway the short term cost of various financial packages offered by GHI.

## The Regional Shopping Centre

A developer had purchased a site on which to construct a medium size shopping centre with the intention of locating his offices in a portion of the upper floor, while leasing the lower level for commercial development. He had obtained two local leases from small but reliable business operators and was negotiating for a long term mortgage loan on completion of the project. Through its investigations, GHI determined a real need in the area for the type of commercial development planning to lease the centre. Under close supervision, funds were advanced to allow the construction of the project which is now completed and GHI is in the process of being repaid.

## Conversions In Alberta

A salesman and a retired teacher bought an old apartment building in Edmonton and proceeded to apply for conversion permits for offices and other commercial usage. This process took many months and the permits were finally granted on a floor by floor basis. GHI was called upon to supply interim funding in order to carry the project through the renovations and government approval stages.

## Homes In Western Canada

GHI has been instrumental in assisting a number of contractors requiring construction financing, who wished to build new homes in growth potential areas. The reputation of the contractors was excellent, with a demand for the homes being readily apparent. Short term construction loans were made on various properties until sold, permitting the contractors to assist in housing developments in areas where there were critical needs.

## Flexibility Is the Key

GHI's mortgage portfolio contains loans secured by apartment dwellings in Saskatchewan, nursing homes in British Columbia, condominiums and office buildings in Edmonton and Calgary, shopping centres and warehousing in Winnipeg and numerous other projects in varied locations. Each transaction has its own story which must be worked out in a constructive manner that benefits the borrower and permits a better than average return to you, the Unitholder.

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